RHODE ISLAND PUBLIC TRANSIT AUTHORITY

BOARD OF DIRECTORS

MINUTES OF Monday, June 16, 2008 MEETING

Board Members Present: Robert Batting, Chairperson; John Rupp, Vice-Chair; William Kennedy; Edward Field; Chuck Alves and John MacDonald.

Absent: Thomas Deller

Also Present: Alfred J. Moscola (General Manager); Richard Licht (Outside General Counsel); Henry Kinch; Deborah Dawson; Maureen Neira; Mark Therrien; Ellen Mandly, and other members of RIPTA's senior staff and members of the public whose names are listed on the meeting sign-in sheet.

Agenda Item 1: Approval of Minutes of May 19, 2008 Meeting

Mr. Batting opened the meeting and requested comments regarding the minutes of the May 19, 2008 meeting. Hearing none, a motion was made by Mr. Rupp for approval of the minutes as presented. Mr. Kennedy seconded Mr. Rupp's motion and the minutes were

unanimously approved.

Agenda Item 2: General Manager's Report

Mr. Batting asked Mr. Moscola to give the monthly General Manager's report. Mr. Moscola began by discussing fuel and stated that the fiscal yearly average price per gallon is now $3.13. The average price for the month of June is $4.14 and the price for fuel today, June 16th is $4.20 per gallon. He commented that the price of fuel remains high, above $4.00 per gallon and continues to be a problem for RIPTA.

Next Mr. Moscola discussed an agreement between RIDOT and RIPTA for the repair and maintenance of 68 of RIDOT's vehicles. He said an agreement has been reached with RIDOT and a memorandum of understanding is being finalized. He continued that this agreement will add 13 vehicles to the 55 that RIPTA currently maintains for RIDOT, and the additional work will be accomplished without additional quota.

Mr. Moscola reported that the trolley specifications are 90% complete. Mr. Moscola concluded his report. Mr. Batting asked the General Manager who outside of the RIPTA Board receives the monthly General Manager's report and Mr. Moscola replied that it is sent to a number of individuals including Steve Farrell and Frank Ciccone from the unions. Ms. Mandly added that the report is also sent to House Finance, Senate Finance, Rosemary Gallogly, the Auditor General, the

members of the Joint Pension Board and RIPTA senior staff.

Mr. Batting continued that the reformatted page is good and foots to the total budget. He noted that anyone unfamiliar with the General Manager's Report would not be able to locate the projected $1.6 to $1.8 million-dollar deficit. Ms. Neira responded that the report is a monthly report, which contains cumulative data, and is not a cash flow analysis. She noted that last month was the first month that RIPTA had a deficit, and she addressed that deficit in her report to the Board. She said that the formatted report which has the combined financial summary which is now B-2 will show that for the month of April RIPTA had a $571,000 deficit and then through 10 months cumulative is $715,000 so prior to that there was a $150,000 that would have been reflected in the March financials if the format was the same. Ms. Neira said this page has been revised to show on a single page the total by broad category of revenue and expenses for fixed route and for paratransit, which previously was always kept separate in the General Manager report. Mr. Batting interjected that this is the first time there has been a foot on the report, which states the $88,900,000 figure and shows the $567,000 surplus which was presented to Representative Costantino at the finance committee hearings. Mr. Batting said it should be simple to add another column to give a year-end estimate tracking whether we are behind or in front of the $88,900,000 figure. Mr. Batting feels that adding this tracking column will show more clearly the grave financial situation. Mr. Moscola said he would add that column to the report.

Next Mr. Batting discussed an article on the front page of today's Providence Journal and said it is germane to a discussion he had with Mr. Moscola and Tim McCormick of the Planning Department. At that meeting, he learned there was a drop in RIte Care ridership, noting that the drop was significant. He continued that he learned that up until recently, the number of riders was estimated, but now the data is actual from swipecard technology. Mr. Moscola responded that the methodology had been changed to incorporate all swipecard data in the month of April. Mr. Batting commented that although the percentage of riders is down, the dollars are virtually the same, $1.2 million.

Mr. Batting continued that RIte Care revenue represents $14 million for the current fiscal year out of an overall budget of over $90 million. Mr. Batting continued that the potential exists for a significant reduction in ridership with the changes to the RIte Care transportation program scheduled for FY 09. Mr. Batting continued that Mr. McCormick had reported that swipecards are providing more accurate ridership data. Mr. Batting summarized by saying RIPTA is seeing a significant decline in ridership in that category and at the present time, he still has not received a final estimate of the reduction of RIte Care revenue, but believes it will be approximately $14 million. Mr. Batting said he is reiterating these facts each month for a reason. He said these figures show a radical reduction in ridership due to RIte Care.

Mr. Batting asked if there were any other questions and Mr. Rupp asked if the swipe cards are reflective of actual ridership and if so was it just overestimated in the past, or is there an actual decline? Mr. Moscola said RIPTA previously used estimates until actual data was received from the new fareboxes. He continued by pointing out that the data from the fareboxes is more accurate, and that RIPTA is obtaining better information. Mr. Rupp wondered if previous bad estimates served as the basis for service decisions. Mr. Kinch responded that previously passenger surveys were used to obtain information. Mark Therrien interjected that the old method of calculating ridership was standard in the transit industry prior to the introduction of swipe cards.

Mr. Therrien added that senior disabled ridership has increased which will result in a correction to the numbers by category. He continued that total ridership will not necessarily increase, but the totals by category may change.

Mr. Batting continued by referencing the Abrams' report, which indicated that the RIte Care transportation program is not a common practice. Mr. Therrien agreed saying Rhode Island is the only transit system in the country that does this. Mr. Batting reiterated that the Office of the Inspector General reported this to be an improper use of the funds for the RIte Care transportation program, which is the reason for the changes being made to the program. He pointed out

that RIte Care is RIPTA's largest passenger revenue source, representing 56% of the total passenger revenue.

Finally, Mr. Batting discussed the billing/reporting method utilized by National Grid and noted that it details the users yearly consumption by month. He continued that it would be helpful if RIPTA implemented this format to illustrate monthly fuel consumption of CNG, diesel and gasoline. He said this would be a good tool to highlight fuel consumption and show if headway is being made to increase cost effectiveness by rerouting buses and vans. He continued to discuss the Abrams' report in relation to cost, fuel and mileage in the RIde Program. Mr. Batting then asked if there were further questions, and hearing none moved on the next agenda item.

Agenda Item 3 (a): Nomination and Election of JPB Board Members

Mr. Batting said that at the previous meeting, he learned that the Chairperson of the Authority Board appoints the management members of the Joint Pension Board (JPB), and asked if this assessment was correct. Mr. Moscola responded that it was. Hearing this Mr. Batting nominated Messrs Rupp and Field for membership with him on the JPB. Mr. Field declined the nomination, and Mr. Batting nominated Mr. MacDonald who accepted the nomination. Mr. Field made a motion that Messrs Rupp and MacDonald be nominated to the Joint Pension Board along with Chairman Batting. Mr.

MacDonald seconded Mr. Field's motion and the motion passed unanimously. Mr. Batting noted that he along with Messrs Rupp and MacDonald now hold the three management positions on the JPB.

Agenda Item 4 (a): Pension Discussion by David Ward, Angell Pension

Maureen Neira introduced David Ward, Actuary and Jeff Bauer, President of Angell Pension to address information requested by the Board at the prior month's meeting with regard to the change in the mortality table and an article that Mr. Batting provided.

Mr. Ward distributed a document outlining RIPTA's pension plan contributions and liability. He continued that the 2008 actuarial valuation was complete, and had been delivered to RIPTA. He reminded the Board that in February he had discussed changing the mortality table used to make the assumptions, and indicated that such a change has been discussed previously and was scheduled for implementation in the upcoming fiscal year. Mr. Ward informed the Board that prior to 2007, the 1971 mortality table had been utilized for the annual valuation. Approximately two years ago it was determined that 1971 table was becoming outdated, and RIPTA should consider implementing a more recent mortality table, either the GAM 1983 or the RP 2000, which was the most recent table available. At that time, a strategy was developed for implementation of the GAM 1983 table in 2008, and in the future the RP 2000 table. He explained the reason for

the delayed implementation as being due to the fact that RIPTA's population demographics don't exactly match the United States' demographics, which served as the basis for the RP 2000 table. He continued that RIPTA's demographics more closely resemble the demographics of the GAM 1983 table, which makes the transition to that table most appropriate, and explained why that table was recommended. Mr. Ward stated that the transition to the GAM 1983 table represents approximately a 7% increase in liability.

Mr. Batting interjected by asking if the RP 2000 table is required by FASB and Mr. Ward replied that FASB does not require the use of a specific table, but requires that the actuary present a reasonable mortality assumption. Mr. Batting continued by asking about the private sector clients that Angell Pension serves, asking if they are required to use the RP 2000 table. Mr. Bauer responded that the private sector is required by ERISA to use the most current tables. He continued that the State of Rhode Island Pension Plan uses a 1994 group annuity table.

Mr. Batting expressed his opinion that using outdated tables is a misrepresentation of pension liability, and Mr. Ward disagreed responding that the RP 2000 table is comprised of a blended blue-collar/white-collar/male/female population, which does not match the demographics of RIPTA and again reiterated his position that RIPTA's demographics are more representative of the GAM 1983 table.

Mr. Batting replied that his concerns are simple saying that RIPTA has a responsibility to adequately fund not only the pension plan, but also the medical liabilities. He continued that where the State of Rhode Island has the supplemental process to obtain funding, RIPTA does not have such a mechanism by which to secure funding, and that the use of outdated tables is a disservice to all involved. Mr. Batting continued that it is his position that the current practice in the "outside world" should be implemented at RIPTA, and not to do so would be irresponsible. Mr. Bauer stated that Angell Pension is in agreement that ultimately the mortality table should be changed to the RP 2000; the issue the Board must decide is when to adopt it.

Mr. Rupp stated that RIPTA is facing a significant deficit, and needs to know the real numbers in order to adequately plan the budget. Mr. Ward responded that using the RP 2000 table would be the conservative approach to funding and to overall liability estimates.

Mr. Batting asked if the actual return on investments could be used in conjunction with the RP 2000 table, and if that would provide a better picture of the overall liability of the plan. Mr. Ward responded to Mr. Batting's question, indicating that when the term "current rate of return" is used, the question becomes ambiguous since the valuation is conducted using the previously agreed upon assumptions which are consistent with the structure of the assets.

Mr. Bauer explained that the assets in the salaried portion of the plan

are invested more conservatively and a 7% assumption is used versus an 8% assumption utilized for the hourly assets.

Mr. Batting and Mr. Ward then had a brief interchange regarding the performance of the assets over the last 10 years. Mr. Bauer stated that the magnification on the rate of return assumption has a far greater impact over the short and long term on the liability than a single assumption such as mortality and he illustrated this by referencing the handout. Mr. Batting asked if Mr. Bauer had seen RIPTA's actual returns from Prudential, and Mr. Bauer replied he had. Then Mr. Batting then asked Mr. Bauer if he was comfortable that the numbers indicated in the valuation are representative of the rate of return, and Mr. Bauer responded that he was.

Mr. Batting asked if there were further questions and hearing none he asked Ms. Neira if the figures were included in the projected budget for year-end 2008 in addition to 2009. Ms. Neira replied that the projected budget for 2008 and 2009 as originally presented and approved by the Board will be discussed later in the meeting and the Board will discuss and vote on the revised numbers as well as the decision to move to RP 2000.

Mr. Batting then raised the topic of GASB 45, 47, and 50. Ms. Neira responded that GASB 45 (other post-employment benefits) requires that the liability be reported, and provides specific details about setting up a trust for the liability, but does not require actually

funding the liability. Ms. Neira continued that GASB 50 (pension disclosures) is a reporting requirement only, and GASB 47 (termination benefits) discussing the measuring and reporting of benefits at termination. None of the accounting standards can be implemented by RIPTA prior to the State of Rhode Island implementing it.

There was a brief discussion about RIPTA's obligations as a quasi-state agency and Ms. Neira pointed out that since RIPTA's financial reports are part of the State's overall financial reports, RIPTA must be consistent with the State in the implementation of GASB requirements. Mr. Rupp asked if RIPTA has to report independently as well and Ms. Neira responded that RIPTA completes its own financial statements and distribute then, but the state includes that information along with the other quasi-state agencies in their financial statements. She concluded by informing the Board that RIPTA's pension information is included as a footnote within the state's financials.

Agenda Item 4 (b): Presentation on Service Reallocation

Mr. Therrien addressed the Board with the presentation on service reallocation noting this topic had been tabled at the last Board meeting. Mr. Therrien said this presentation would illustrate how resources are allocated, how service is tracked, and would in general provide the Board with an overall understanding of the system, which

would be helpful if service reductions were required. He said all the ridership numbers used for diagnostics come from the Automated Passenger Counting (APC) system and ridership is reported to the Federal Transit Administration (FTA) in addition to other agencies.

Mr. Therrien began with an overview of how the system is judged using four (4) broad categories of diagnostics. He explained the categories as: (1) riders per hour; (2) riders per mile; (3) riders per trip; and (4) farebox recovery. He explained that the riders per trip category is new and was added in response to some of the long trips RIPTA runs.

Mr. Therrien began the presentation by explaining that there are 137 different segments of service in the system, with 59 bus routes on Saturdays/Sundays combined. Nights, early morning and midday service are also segmented.

He illustrated riders per hour by comparing Route #64, which runs from Newport to URI, with an average of 5.8 passengers per hour to Route #11, which runs on Broad Street in Providence and averages 97.8 passengers per hour. He explained that much of RIPTA's service is urban, and RIPTA carries an average of 44.9 passengers per hour, which is high. Mr. Therrien discussed the trips with the lowest and highest riders per mile, and then the riders per trip and noted that this category helps the long routes. He then discussed farebox recovery. He illustrated the point that the highest volume

route does not necessarily produce the highest farebox recovery using the Route #11 as an example, which is usually standing room only and sometimes people by to be by-passed due to over-crowding, is at 80% farebox recovery. He stressed this is RIPTA's best line, but RIPTA still loses money on this route.

Next Mr. Therrien explained that the four rankings are scored to determine the composite rankings, and handout of such has been provided to the Board for review. He noted that traditionally Route #11 is usually ranked number one, and conversely Route #64 is normally the lowest. He said the only reason Route #64 still exists is that it connects two major hubs in South County, Newport and URI. Mr. Field asked if the Route #64 continues because URI is a hub, and Mr. Therrien responded that the route is maintained because URI is the largest activity center in South County and the route connects URI to Newport. Mr. Field asked if Route #64 used a standard bus, or a paratransit bus, and Mr. Therrien responded that it uses 30-foot buses, which are smaller than a standard 40-foot bus. Mr. Field asked if it would be cheaper to give cab fare rather than run the bus and Mr. Therrien said a number of options had been reviewed, including shortening it a year ago, which still hasn't helped. Mr. Therrien explained the line is in trouble, however it services the Jamestown to Newport connection that would otherwise go un-served. Mr. Kennedy asked about the Pascog service, and Mr. Therrien replied Route #9, which is also a perennially low performing route serves Pascog out to Zambarano Hospital. He pointed out that there are 7 miles of woods

along the road to Zambarano, which means that the bus travels for 14 miles passing nothing, which makes it a very poor route. Mr. Therrien informed the Board that public hearings must be conducted if RIPTA is proposing changes of more than 15%.

Mr. Therrien continued discussing service, and indicated that in some areas there is a need to add service. He cited complaints being received due to overcrowding and used as an example the "Park and Ride" service from Westerly to Providence, which is overcrowded with people standing all the way into Providence every day. He explained that statistically this does not present as a high volume service because for half of each trip, the bus is empty.

Mr. Batting raised the subject of staging buses in various locations through the state to alleviate the need to have a bus travel a long distance empty. Mr. Rupp asked if every bus has to come back in to the garage each night or if some could be left overnight at park and rides. Mr. Therrien responded that Mr. Batting has raised this question in the past, and staff submitted a report outlining the infeasibility of the option due to a number of factors, including logistics of transporting the driver to the remote location, and maintenance issues. Mr. Kennedy said he hears nothing but praise for RIPTA's operation from outside sources yet hears nothing but criticism at Board meetings. He continued that it is his opinion that RIPTA's overall performance is excellent and encouraged the Board to focus on the good things RIPTA does. He also stated that the idea

of remote staging of buses overnight has the potential of costing more since overnight security would be required. Mr. Rupp agreed with Mr. Kennedy but added the issue is how to keep up the current level of service with less money.

Mr. Moscola addressed the matter, and informed the Board that every route does not start at Elmwood resulting in the bus having to deadhead to the beginning of the route, no matter where the route goes. He highlighted some of the challenges associated with satellite parking, and informed the Board that the buses get fueled and "checked" nightly. He continued that although satellite parking may save some money on fuel costs, there are other costs/issues that could outweigh such savings. Mr. Moscola continued that staff is working hard to address the budget issues and looking for creative ways to save money, however parking buses in alternative areas does not work for many reasons. Mr. Rupp challenged Mr. Moscola's statement and said he wanted to see the facts and figures for himself and make his own determination. Mr. Rupp continued saying his commitment is to keep riders on the buses with a fare structure that makes riding viable. He said this would require hard work from everyone in the room and while he appreciates what the General Manager is doing, he cannot take statements at face value and must ask questions. Mr. Moscola acknowledged Mr. Rupp's comments and recognized that with the current and future budget problems, everything has to be considered and is on the table. Mr. Rupp responded that the people of Rhode Island who use public

transportation are getting a good deal and RIPTA has a great system; however the objective is to make sure the system works for everyone who wants to use the system as a commuter tool.

Mr. Therrien continued with the presentation discussing tourism, Newport and partnerships. He concluded his report by pointing out the page in the handout, which shows the bottom ranked routes and noted the changes made in January. He added that the impact of the RIte Care changes are still being analyzed, and will come back to the Board to present those findings.

Mr. Batting asked if there were further questions and hearing none moved onto the next agenda item.

Agenda Item 4. (c): FY 2008 and FY 2009 Budget Update

Mr. Moscola stated the FY 2008 and 2009 budgets, as well as RIPTA's deficit reduction plan must be considered in conjunction with Mr. Therrien's presentation. He then asked Ms. Neira to discuss the FY 2008 and FY 2009 budgets.

She began by addressing FY 2008, and pointed out three (3) exhibits "A", "B", and "C" at the back of the staff summary. Ms. Neira reminded the Board that at the prior meeting, she had raised the issue of ending FY 2008 with a deficit and at that time had indicated

that such deficit was anticipated to be approximately $1.6 million at the end of March. She continued that based on current information, the projected deficit has been increased by about $200,000, and explained that a number of factors are impacting the deficit including revenues being under budget, and some expenses running over budget. She said that RIPTA has taken a number of actions to rectify the situation, but pointed out that a significant contributor to the deficit is the reduced gas tax revenue, and the revenue received on the 25th of May represented receipts for April which was actually $250,000 less than anticipated. Based on these factors Ms. Neira indicated that a modification has been made to the anticipated revenue from gas yield, but RIPTA will not know the actual revenues until the gas tax receipts are received on the 25th of the month for the prior month. She said that based on the aforementioned factors, the FY 2008 budget has been modified to reflect an anticipated deficit of $1.8 million. Mr. Moscola repeated that the projected deficit for FY 2008 is $1.8 million.

Ms. Neira continued with the budget discussion and brought up the proposed change to the mortality table used in the pension plan. Originally RIPTA had budgeted to use the GAM 83 table, but had modified that decision to move to the RP 2000 table, which will result in an additional expense of approximately $150,000 for FY 2008.

The second item is GASB 45, which was not included in the original budget because the plan was for RIPTA to be included in the State of

RI's trust. She said because RIPTA's health insurance was purchased through the state, RIPTA was going to be included into the state's trust. Ms. Neira continued that a meeting with the state would be held in a few weeks to discuss logistics for RIPTA to join in the state trust. She added that RIPTA joining the state trust would be a win for both sides resulting from administrative cost savings and a better rate of return by having more assets to invest. Ms. Neira will report back to the Board after the meeting.

She summarized the GASB 45 matter by reminding the Board that when the FY 2008 budget was originally approved by the Board in December of 2007 the financial statements included the dollar amount for the creation of the trust. However, in the final budget that was approved by the Board in March 2008 the requirement to fund GASB 45 in for FY 2008 was removed and would result in ending the year with a financial statement liability. At this point, Ms. Neira continued that the financial statement liability amount is about $7.2 million dollars.

Mr. Batting referenced the figure of $88.9 million dollars on Exhibit A and said that in March RIPTA management told Representative Costantino RIPTA would have a surplus of $567,000 and said now without getting into GASB issues RIPTA is anticipating a deficit of $1.8 million, and that projection is not even based on actual numbers for May and June.

The discussion of the FY 2008 deficit led into a discussion about the FY 2009 budget, and Mr. Batting asked what RIPTA expected the FY 2009 budget to be. Ms. Neira responded that ending FY 2008 with a $1.8 million dollar deficit and then depending on the Board's decision relative to the mortality table and GASB 45 the deficit could total anywhere from $2.0 million to $9.2 million. Ms. Neira directed those present to Exhibit C and said the 3rd column shows the current $5.7 million dollar deficit for fiscal 2009, plus the $1.8 million carry over from 2008 making a total deficit, without GASB or mortality table of $7.5 million dollars. Mr. Batting asked what RIPTA expected the total expenditures for FY 2009 to be and Ms. Neira replied $98,690,014. Mr. Field asked what fuel price was being used for FY 2009 and Ms. Niera responded that it is projected at $4.50 per gallon.

Mr. Rupp wondered what went wrong this year and how will RIPTA address those same problems next year? He noted one problem as wages and fringe benefits. Ms. Neira said there are 3 items that make up the problem: 1) the state's working rate on healthcare was revised and increased; and 2) the cost of fuel went from budgeted rate of $2.68 to $4.50 which resulted in $4.8 million dollars; and 3) the change in the gasoline yield which was modified at the May revenue estimating conference.

Mr. Batting stated that the budget for next year is now at $98.7 million, not including GASB, and the gas tax yield is $34,725,000. He stated that Exhibit A shows the gas tax revenue projections for FY

2008 $32,652,000, and asked why RIPTA anticipates that the yield will increase in FY 2009. Ms. Neira responded that the gas tax revenue yield amount included in the budget is the result of the revenue estimating conference that takes place in May of every year, and continued that this figure could likely be changed by the state in November, however RIPTA has no option but to put this figure in the budget. Mr. Batting asked who in the state provided RIPTA with this number and Ms. Neira replied the state budget office. Mr. Licht added that it is more than the budget office who determines this number, it is determined by the revenue estimating conference held twice yearly in May and November. He said the conference is comprised of a number of key state officials who review and agree upon every line item of the anticipated revenue. Mr. Licht said this is state law and once done the agreed upon figures are given to the various state agencies and departments in government to use in their budgets. Mr. Licht opined that Mr. Batting may be correct in questioning a rise in the gas yield, however RIPTA is obligated to use the number that is the result of the revenue estimating conference.

Mr. Moscola added that certain line items are subject to change each year. He continued that even if RIPTA were able to balance the FY 2009 budget, it is still subject to change at the November or May revenue estimating conferences. Mr. Batting stated his position that RIPTA's budget is at $98.7 million dollars for FY 2009 with incorrect estimates from gas tax revenue built in, plus it has a $5.7 million dollar deficit. He asked how many years RIPTA expected to carry that

deficit and where the money would come from to resolve it. Mr. Moscola replied that the goal is to always have a balanced budget. Mr. MacDonald stated that RIPTA must try to balance the budget, and it may only be possible to do so with service adjustments. Mr. Alves said that if the reduction in the gas tax is factored in, the deficit figure might be closer to $9 million.

Mr. Rupp said he understands that there are certain accounting requirements, however there are have several areas where problems for next year are anticipated, and suggested that RIPTA puts together a set of working numbers to more accurately reflect the situation. Ms. Neira agreed but pointed out that there are certain items like fuel, which cannot be predicted.

Mr. Moscola stated that RIPTA has a $1.8 million dollar problem this year, excluding GASB 45 and RP 2000. He continued that he has put together a deficit reduction program, which will be discussed later, that can make up the $1.8 million but the Board needs to decide today if RIPTA should carry the $1.8 million dollar deficit into FY 2009, without GASB 45 and RP 2000. Mr. Moscola recommended that both changes be included in the FY 2009 budget. As well as the carry-over of the $1.8 million deficit, and cuts will have to be made to accommodate the situation.

Mr. Rupp indicated that he is still concerned about the RIte Care

problem in addition to the other problems discussed. Mr. Moscola said RIPTA has been unable to get the exact RIte Care figures from the state except that the state has committed to keep RIPTA whole for 2009. Mr. Moscola added that FY 2010 will be an entirely different issue because there will be no money available. Mr. MacDonald noted that the House Finance Committee had voted the Wednesday before to keep the funding intact. Mr. Field asked if once the money was committed to RIPTA, could the State change it, and Mr. Licht responded that the money could be taken away at any time, citing the supplemental budget that took money appropriated for 2008 from cities and towns.

Mr. Alves stated RIDOT also receives revenue estimates from the estimating conference and reminded those present that the numbers are estimates. Mr. Alves said RIDOT watches the gas tax yield monthly and if it goes down spending is tightened. Mr. Moscola said Mr. Alves made a good point, unfortunately RIPTA operates differently from RIDOT and RIPTA must meet 100% of service every day regardless of whether fuel costs are up and the gas yield is down. Mr. Moscola stressed that providing less than 100% of service every day will hurt the people of Rhode Island. Mr. Rupp stated if RIPTA believes that not enough money will come in, then the tough decisions will have to be made, and suggests making them sooner rather than later.

Mr. Batting said the situation is very bad, and again expressed his

concerns about the gas tax revenue estimate, stating that it makes no sense to project the yield at $2 million higher because someone from the state told you to. Henry Kinch clarified that the revenue estimating conference is not simply three people in a room, but the result of consultation with economists and many other department heads to determine an appropriate estimate. Mr. Batting stood by his assessment that he does not believe that the gas tax yield will go up next year. Mr. Kinch did not dispute Mr. Batting's opinion, but stressed that a lot of thought goes into the decisions made at the estimating conference. Mr. Alves interjected that he does not think the consensus is to go against the revenue estimating figures, just that the number is in fact an estimate that should be debated by the Board and staff because this estimate could adversely affect RIPTA's budget.

Mr. Field stated that the Board is trying to serve as many people as possible, and it is not possible to increase fares again. He suggested that RIPTA explore new revenue options. Mr. Field suggested that Mr. Therrien contact the legislators in the areas which could experience potential service cuts, and inform them of RIPTA's deficit and ask for their help in obtaining the funding to continue service by getting RIPTA additional gas tax funds, or some other source of revenue. Mr. Field said that staff and the Board should work from this angle as well as considering cuts. Mr. Moscola said this was a good point and noted that part of the revenue reduction plan is to ask for the additional penny, which would represent approximately $4.6 million

dollars. Mr. Kennedy agreed that staff should ask for the additional penny. Mr. MacDonald said realistically, none of the gas tax is left unallocated and Ms. Neira said there is still one penny left in the general fund. Mr. Rupp stated that RIPTA should ask for three cents because that is what's needed. Mr. MacDonald said they would have to take the money from another agency and Mr. Field said that is not RIPTA's problem. Mr. Field added that if gas prices continue to rise, more people would ride RIPTA, which will require more buses, drivers and expense.

Mr. Batting reiterated the budget figures and his concerns regarding such. Mr. Field asked how RIPTA plans to cut wages. Mr. Moscola suggested that it makes best sense to get through the fiscal year, and then RIPTA will re-look at the FY 2009 budget to identify areas that can be reduced. Ms. Neira asked the Board for clarification as to whether to include GASB 45 and RP 2000 in the final FY 2008 budget. Mr. Batting expressed his opinion that the pension figure should be included in the budget. Mr. MacDonald said the RP 2000 should be added in but GASB 45 is not an expense that affects the deficit. The discussion continued briefly and Mr. Field made a motion to include the additional $158,000 for the new RP 2000 mortality table to the FY 2008 projected deficit as part of an overall picture that everyone needs to talk to their legislators and ask for help with additional gas tax or other revenue. Mr. Batting asked for a second to the motion, and Mr. Rupp seconded it. Mr. Batting put the motion to a roll call vote. Messrs Rupp, MacDonald, Batting, Alves and Field voted in the

affirmative and Mr. Kennedy opposed the motion. The motion to carry the $2 million dollar deficit carried by a vote of 6 to 1.

Ms. Neira clarified that the FY 2009 budget would include a $2 million deficit carry-over from FY 2008, which includes the transition to the RP 2000 mortality table for the pension. She continued that the FY 2009 would begin with a minimum deficit of $6 million dollars, which still does not contain the GASB trust and the implications associated therewith. Mr. Rupp asked if RIPTA could defer funding next year and Ms. Neira replied that RIPTA can still be included in the state's trust and pay them what RIPTA pays now, which would be approximately $2 million. Mr. Batting asked when the state would finalize the trust and Ms. Neira said RIPTA is attempting to set up a meeting with the state to discuss and to determine if it is possible to join the trust. She said there are still many variables that need to be worked out, and hopefully will get clarification once a meeting takes place.

Mr. Field asked about the figure for federal reimbursement in Exhibit A, which went from $18.9 million to $20.3 and asked why. Ms. Neira said RIPTA received additional federal revenue in some areas because when the budget is created the actual federal allocation had not yet been determined, and the budget includes estimates. Mr. Field asked how RIPTA receives federal dollars, and Ms. Neira responded primarily through grants. Mr. Field asked if for FY 2009

the projections have leveled out and Ms. Neira said they had, but informed the Board there is only one year left on six years of federal appropriation funding. She said the next six -year federal appropriations act could increase or decrease the amount of federal funding available.

Mr. Alves asked about the $41,877,994 FY 2009 wages and noted the number is different on different exhibits and Ms. Neira explained that Exhibits B and C are both FY 2009 and the number is $41,877,994 which includes contractual wage increases. She continued that the amount of $40,315,316 listed on Exhibit A represents wages for FY 2008. Mr. Alves questioned why if RIPTA is projecting in FY 2008 wages of $42 million would the budget for FY 2009 be only $41.8 when there are contractually agreed upon wage increases scheduled for FY 2009. Mr. Alves asked how the number in the FY 2009 budget could be lower than FY 2008? Ms. Neira replied that FY 2008 wages are over budget by $1.8 million for a number of reasons including $200,000 for farebox training implementation and the remainder is long-term illness and injury of approximately 30 employees per month, which means RIPTA is paying their sick time, plus time and a half to backfill that position. This basically translates to paying double time and a half to continue that service. She noted that the original budget includes approximately 48% scheduled overtime, which was recently explained to the Board, and continued that it is still more cost effective to fill the vacancy with overtime than to hire. Mr. Alves said he did not disagree with Ms. Neira's reasoning; he was

just trying to reconcile the numbers. Mr. Batting raised his concerns about using a lower budget number for wages for FY 2009 than for actual year end for FY 2008, and Ms. Neira explained that the budgeted number is total number employees working at 40 hours at their regular rate of pay, and scheduled overtime. Mr. Rupp suggested that the last 5 years be reviewed, and that the Board should be presented with estimates based on such review.

Mr. Batting began to move on to the next agenda item and Ms. Neira asked for clarification on the FY 2009 budget. Mr. Rupp replied that he would like to see some contingency numbers for gas yield, fuel costs and wages.

Upon completion of discussion on this agenda item the Board took a short break before moving on to the next agenda item.

Agenda Item 4 (d): Deficit Reduction

The Board meeting resumed and Mr. Moscola addressed the next agenda item dealing with deficit reduction. Mr. Moscola began by referencing Exhibit D of the deficit reduction staff summary, which lists ways for RIPTA to save money, reduce expenses and raise revenue. He listed revenue generating items such as, $42,000 for internet advertising, $100,000 from a Transit Watch Grant, $215,000 by increasing the cost of the senior/disabled pass, $30,000 from lottery sales and $97,000 from bus wrap advertising revenue.

Mr. Moscola read the list of cuts to expenses including deferring 12 vacancies to FY 2010 for a savings of $557,000, deferring the non-represented staff wage increase of 3.5% which was scheduled to take effect July 1, 2008 for a savings of $70,000, however Mr. Moscola clarified that 6 non-represented managers will still receive a salary increase which totals $8,700. Mr. Moscola continued saying public relations and out of state travel was reduced and 6 general overhauls on the 9800 fleet were deferred for a savings of $106,000. He said deferring capital projects had realized a savings of $17,408 in capital match money and added that the cost of fuel was reduced to $4.30 from $4.50, but after today's discussions believes this may be a problem. Mr. Moscola said that so far the average cost per gallon for June is $4.14 and lowering the budgeted amount to $4.30 would save $520,480. Mr. Batting asked what today's fuel price was and Mr. Moscola replied $4.20. Mr. Batting said staff needs to look at the strengths and weaknesses in the budget and said one such weakness is the figure for the12 vacancies, which is a hypothetical number and not a reduction in the budget. Ms. Neira replied that if those vacancies were not filled in FY 2009, RIPTA would save that money. Mr. Moscola went back to the issue of reducing the cost for fuel from $4.50 to $4.30 and asked for the Board's opinion. He continued on with the list saying the number of staff to whom Nextel radios are assigned has been reduced resulting in a savings of $13,700, and finished by saying a savings of $150,000 can be realized by reducing the use of maintenance and cleaning supplies.

Next Mr. Moscola discussed two cost cutting measures, which would require legislative approval. The first of such measures seeks to institute half fares from the senior/disabled segment of the ridership, who currently do not pay a fare, and the second is a measure to limit RIPTA's liability for damages. Mr. Moscola said these two initiatives could potentially save $2,100,000 annually. Mr. Rupp asked how the first initiative differs from the senior pass fees previously discussed, and Mr. Moscola replied that RIPTA currently charges $5.00 for a senior pass for 5 years, and the previous discussion proposed charging seniors $5.00 annually for the actual pass, not the ride. Mr. Therrien clarified that this is a processing fee for the senior pass.

Finally, Mr. Moscola said he would be asking the unions if in light of the major financial issues facing RIPTA they would be willing to defer their raises. He said Local 808 is scheduled for a raise of 3.5% in July and ATU 618 and 618A are scheduled for a 1.5% raise in January of 2009, which is a contractual obligation. If the unions are agreeable it would mean a cost savings to RIPTA of $395,300.

Mr. Field asked how the 12 vacancies would impact both scheduled and unscheduled overtime, and Ms. Neira replied that the 12 are not bus driver vacancies and would have no impact on the scheduled and unscheduled overtime. She continued that the vacancies are in maintenance and in the office. Mr. Alves commented on proposed increase in the senior pass from $5.00 to $25.00 and asked why not

charge them yearly and Ms. Niera replied that to process the passes annually would be costly for a number of reasons due to the size of the senior population. Mr. Alves commented that it seemed like a big jump in cost and asked why not have the pass be biannual and Mr. Therrien replied that the FTA suggested the 5 year passes, however a 2 year/$10.00 pass is doable. Mr. Kennedy said he is bitterly opposed to raising the price of the pass and fares because things are already too difficult for the senior/disabled community. Mr. Moscola said currently the seniors ride free and Mr. Batting interjected that when discussing seniors, disabled or low-income people, he agrees that this population needs help, but it represents a high percentage of the RIPTA ridership who are riding for free. Mr. Kennedy said these people have paid their dues and they should pay nothing to which Mr. MacDonald replied that RIPTA is one of the few systems in the country that provides free rides. He continued that federal regulations require that RIPTA offer rides at half fare; the free fare was instituted under Rhode Island law. Mr. Batting asked about "off peak" ridership and Mr. Therrien replied that by federal law seniors and disabled can ride off peak at half fare and RIPTA would like to have the Rhode Island law which currently allows them to ride free all day amended to half fare. Mr. Therrien said that changing to half fare would result in approximately $2 million in revenue annually. Mr. Field said this sounds like an unfunded mandate by the state and the state should be told to fund their mandate.

Henry Kinch said that each year approximately 10,000 senior/disabled

persons sign up for this program, and rather than reduce the service, the cost of the pass should be increased from $5 to $25 dollars. He continued that if this segment of the population were to be polled, they would agree to pay the increase rather than lose the service. Mr. MacDonald suggested billing biannually rather than annually. Mr. Therrien said that with the elderly, 5 years is good but with the disabled 2 years works well because some people do become able again and no longer qualify for the pass. Mr. Moscola said the price is not locked in stone; RIPTA could do $15 for 3 years if raising it to $25 is too much. Mr. MacDonald opined that every state agency is dealing with the difficulties of raising costs associated with their services and Mr. Kennedy replied that he will never vote for anything that hurts the seniors or disabled. Mr. MacDonald replied that he lives on social security and he pays between $90 and $100 monthly to use the RIde system, but still believes that the system is better used if it is paid for as it gives the riders a sense of ownership and they will use it more wisely. Mr. Moscola added that seniors and disabled are not using the bus for daily roundtrips; they use the service a few times a week.

Mr. Alves said it is up to the Board to come up with a sound budget that will keep RIPTA operating, stressing that RIPTA is not in a position to give any service away. Mr. Moscola agreed saying it makes sense to charge a fee than to not have the bus. Mr. Licht stated it would be inappropriate for him to debate the merits of the discussion, but he cautioned not to plan on the money for FY 2009

since it requires legislation that would most likely not be passed and enacted until FY 2010. Mr. Kennedy agreed that RIPTA needs to find sources of revenue, but pointed out that many seniors cannot afford their prescriptions and food and to ask them to pay extra to ride a bus is not right. He said RIPTA is in the business of providing a service for people, not hurting people, and by doing this the senior/disabled population would. Mr. Batting suggested that the Board move off of this topic.

Mr. Moscola asked if the Board wanted letters sent to the appropriate individuals in the legislature asking for an additional penny from the gas tax. Mr. Batting asked for a motion and Mr. Alves said that since there is no comprehensive figure on how much money is needed and what RIPTA's plan is, it may be premature to make the request. Mr. Batting agreed saying Mr. Alves had made a valid observation.

Mr. Batting brought up two pieces of legislation pending that would expand free ridership, one for students at state colleges and universities and the other for State employees. Mr. MacDonald clarified that the UPass programs currently in place at RIPTA do not provide free service; the colleges and universities pay for the service.

Regarding requesting the penny from the gas tax, Mr. Rupp said he did not disagree with the comments being made, however with the gas tax revenue shortfall as well as other factors, it is his opinion that

RIPTA should ask for the extra penny. Mr. Alves reiterated Mr. Licht's comments that going the legislative route will not fix RIPTA's problems before FY 2009 is over, and reiterated his position that RIPTA needs to determine exactly what the deficit is, and to come up with the plan to get it down. Mr. MacDonald supported Mr. Alves' position that the earliest RIPTA could get additional revenue and/or gas tax would be in FY 2010.

Hearing this Mr. Rupp withdrew his support for asking for an additional penny for FY 2009. Mr. Alves stated the only way to save RIPTA's FY 2009 budget is for the Governor to cover the $10 million deficit in his supplemental budget next year.

Mr. Batting asked that staff move onto the next topic under deficit reduction and Mr. Therrien said he would address Exhibit E of the deficit reduction staff summary entitled "Proposed Service Reductions". Mr. Therrien said RIPTA does not want to do this, but it may be necessary.

Mr. Therrien began by discussing the north wing of the trolley, Route 91 (State House), which is a low performing route segment of RIPTA's trolley system. He said in May 2008 the Marriott Hotel on Charles Street notified RIPTA that they no longer required RIPTA's Route 91 to service the hotel. The Marriott had been paying RIPTA $24,000 annually for this service extension and 27 of the 52 average daily riders boarded and alighted at the Marriott. Mr. Therrien said that

although this route continues on and services the State House, the state employees have free parking and do not utilize the service. For these reasons, Mr. Therrien suggested that the RIPTA authorize going to public hearings to eliminate the north wing segment of the Gold Line trolley route, which will save approximately $250,000.

Mr. Therrien continued on to the next page of Exhibit E, which described additional service adjustments, which staff recommends for implementation by December 2008. The contemplated reductions are on routes, which have duplicative service, low performance or low performing segments and cuts to some Saturday, Sunday and evening service. Mr. Therrien read the paragraphs associated with each of these routes and described briefly what the service currently is and what service adjustments are contemplated. Mr. Therrien directed everyone's attention to the next page of the service descriptions which enumerated the routes by route # and name, however Mr. Field stopped Mr. Therrien's narrative and noted that he had asked for a vote on the elimination of the north wing of the Gold Line trolley service and no vote had been taken.

Mr. Batting responded that it is not the Board's intent to micromanage staff decisions, and he feels it is more appropriate to go out to public hearing to get the feed back from the people who will be affected by the service changes, and then to come back to the board with their comments and ask for the Board's opinion. Mr. Therrien said the intent of the presentation was to provide the Board

with background on how routes are determined to be low performing, underperforming or duplicative. Mr. Therrien agreed that the Board does not need to hear all the detail however the Board needs to vote on two separate public hearings, 1) for Providence County in September to discuss the trolley and 2) statewide hearings on service cuts. Mr. MacDonald made a motion to authorize staff to conduct public hearings on the trolley service reduction and for the major service reductions. Mr. Rupp seconded the motion and it passed unanimously.

Mr. Field suggested that a letter be sent to legislators detailing the proposed service reductions and along with a cover letter explaining the cuts and asking that they decide whether to make the cuts or give RIPTA the money to maintain the service. Mr. Therrien said the letter would be drafted.

Next Mr. Batting moved on to the agenda item entitled elimination of staff entitlements. Mr. Batting reiterated the comment he had made at a prior meeting regarding the federal government having a "use it or lose it" policy for medical coverage. He said the State of Rhode Island is cutting medical aid to residents, yet RIPTA is paying employees to opt out of coverage, and he agrees with the federal policy and believes management should set an example for the rest of the staff. He said it is his opinion that the non-represented staff should be subject to the cuts since they do not negotiate their benefits. Mr. Moscola clarified that Mr. Batting was talking about 26

hard working, non-represented RIPTA employees, some of whom receive a medical incentive and asked whether these employees would now have the option to take the medical coverage in lieu of the incentive payment. Mr. Batting replied of course and referenced the handwritten document he authored and gave to staff, which staff in turn gave to all Board members, which he said clearly delineates each of the categories where he is proposing cuts. Mr. Moscola said that the 8 non-represented employees would be informed that they must either take the health insurance or lose the incentive. Mr. Kennedy wondered if this would not cost RIPTA more money and Ms. Neria answered that it would. Mr. Rupp opined that their spouses might have a better plan, which they opt to take which would result in a savings. Mr. Kennedy disagreed saying the employees will take RIPTA's health plan and it will cost more money. Mr. Rupp countered that the medical incentive payout is a Rhode Island specific issue and he does not feel it has merit and cited it as another example of how the system ended up with a huge deficit. Mr. Kennedy adamantly maintained his position that it would cost RIPTA more money because the employees will opt for RIPTA's plan. Mr. Alves asked if the term "non-represented" refers to employees who are not covered by one of the collective bargaining agreements, and Ms. Neira responded that Mr. Alves was correct. She reiterated that this measure would affect only 8 employees. Mr. Alves suggested that the change in the medical incentive be deferred until such time as it effects the entire RIPTA population. Mr. Batting referenced a document regarding "other costs" associated with the cash-out of

medical benefits, sick buyout, and vacation buyout representing a total of $81,000 and that these are supervisory employees not union employees. Mr. Kennedy asked for the cost if the 8 employees currently receiving the medical incentive all opted to take the medical plan. Mr. Rupp said RIPTA would definitely save money if medical incentive were to be discontinued.

Mr. Batting referenced the "VIP passes" and asked where they were listed and Ms. Neira said they come under VIP/Product Read Failure. Mr. Batting asked who receives VIP passes and Mr. Moscola replied only Board members. Mr. Batting suggested that these passes should not be allowed and Mr. Moscola suggested that those Board members who have them are welcome to voluntarily return them to RIPTA. Mr. Batting asked that bus drivers be instructed to not allow Board members to ride free and Ms. Neira replied this is not possible since past Board members were given passes. Mr. Therrien added that these free bus rides represents such a very, very small number and are not even listed in their own category.

Mr. Moscola asked for clarification on the health incentive and asked if the Board intended that the 8 non-represented employees who take the medical incentive be notified that it would be discontinued, and they would have the option of enrolling the medical plan? Mr. Batting clarified that Mr. Moscola should inform the 8 employees that they must either take the medical benefits or lose the medical incentive payout. Mr. Kennedy asked that staff report back to the Board how

many opt to receive the benefits and Mr. Moscola said the Board would be provided with such information. Mr. Batting asked for a motion on eliminating medical benefits incentive, and Ms. Neira asked when the proposed elimination would take place, to which Mr. Batting responded July 1st. Then, Mr. Rupp made a motion to eliminate the medical incentive. Ms. Neira clarified that the motion would only affect the 26 non-represented employees and Mr. Rupp amended his motion to eliminate the medical incentive for the 26 non-represented employees. Mr. Batting then asked about pay in lieu of vacation and Mr. Field noted the previous vote was still on the table. At this point Mr. Batting commented on vacation buyouts and others questioned if a vote was needed on the medical incentive or any of the bulleted items on the agenda. Mr. Batting then asked Mr. Moscola how much unused vacation time employees are allowed to cash-out and Mr. Moscola replied up to two weeks. Then Mr. Batting asked about unused sick time buyout and Mr. Moscola said employees with more than 100 days of accrued sick time are allowed to cash in 5 days. Mr. Rupp asked how many sick days employees receive yearly and Mr. Moscola said all employees receive 12 days. Mr. Rupp noted that an employee would have to work at RIPTA 8 years in order to accumulate enough time to be eligible to cash in any sick time. Mr. Batting asked how much vacation time employees are entitled to and Mr. Moscola said every employee is different, but the range is from 5 weeks to 7 weeks, although only a few people receive the 7 weeks. Mr. Batting again said he stands by the federal government policy of use it or lose it and Mr. Kennedy replied that RIPTA is not the federal

government. Mr. Batting said he is looking for ways to set an example and hold down costs/spending and there is no reason to delay a decision.

Mr. Moscola asked Mr. Batting and the rest of the Board for clarification noting employees receive their vacation and sick time allotments on January 1st and asked if the Board was saying that as of January 1, 2009 employees will receive 12 sick days, and if they do not use them, they will lose them at the end of the year? Mr. Alves said he believes Mr. Batting is referring to getting paid for unused sick time. Mr. Alves asked if the Board was voting on the bulleted items, if these employee practices are in the existing union contracts and again he asked for clarification on the 8 non-represented employees who will have to forfeit the medical incentive payout.

Mr. MacDonald interjected that the Board is on item # 4 on the agenda, which is listed as an information/discussion item, therefore pursuant to the Open Meetings Act, the Board cannot vote on anything under # 4. Ms. Neira clarified that 120 total employees receive the medical incentive payout; of that number 8 are non-represented.

Mr. Batting said that since Mr. MacDonald as Secretary has stated that a vote cannot take place, then the Board should move on to the next agenda item. Mr. Kennedy expressed his opinion that the employees work hard to earn their vacations and he is opposed to

any vote changing the rules regarding vacations. Mr. Batting reiterated that there would be no vote and asked that the next agenda item be discussed. Ellen Mandly asked if the discussion regarding adopting a 20% co-pay for medical and the state proposed pension changes were being tabled, and Mr. Licht said the items were not being tabled, the Board was simply moving on to discuss other items on the agenda.

Agenda Item 4 (e): Increase Frequency of Board Meetings

Mr. Batting stated that a request was put in to have more frequent RIPTA Board meetings and asked for suggestions on scheduling. Mr. MacDonald noted a by-law provision, which states that any two members of the Authority can request in writing to the Chairman a special meeting, which the Chairman must grant. Mr. Batting responded that the next regularly scheduled meeting is not until July 21st and he suggested that if the Board members want a meeting prior to the 21st they coordinate possible dates that work for them with Ellen Mandly. Mr. Rupp asked if there was any objection to a meeting after 5:00 p.m. and Mr. MacDonald said transportation after 5:00 could be a problem for him. Mr. Batting asked that the Board members work out times and dates for an additional Board meeting with Ellen and then moved on to the next agenda item.

Agenda Item 4 (f): RIPTA Management Organizational Structure

Mr. Batting noted that the members of the Board had received copies of RIPTA's organizational structure and organizational charts and then he moved on to the next agenda item.

Agenda Item 4 (g): Officers' and Directors Liability Insurance

Mr. Moscola introduced Gary Primevera RIPTA's insurance broker from Starkweather and Shepley Insurance and asked Mr. Primevera to explain the level of insurance currently in place for RIPTA Board members and officers including the costs associated with such insurance. Mr. Kinch interjected that other state agency boards had been surveyed on their level of insurance and most Boards and Commissions have anywhere from $5 million and $30 million worth of insurance, therefore it is quite clear that since this Board has only $1 million this is an issue that needs to be addressed.

Mr. Primevera greeted the Board and noted that Starkweather and Shepley has been handling RIPTA's insurance for about 12 or 13 years. He said that currently RIPTA has a $1 million Directors' and Officers' policy with the Great American Insurance Company. He said the $1 million is for defense and settlement costs and included in that limit would be pure Director and Officer coverage as well as employment practices liability in the event and employee brings a suit against the Board for wrongful termination, sexual harassment, etc. Mr. Primevera said the way the policy works is if there is a direct D & O suit brought against the Board there is no deductible, if there is an

employment practice suit, there is a $75,000 deductible, and reiterated that this goes to pay for defense and claims. He said the policy would defend for any wrongful act that is brought against the Board by any group or individual. He then defined a wrongful act as a decision made by the Board that adversely affects a third party, such as topics discussed earlier like changing routes or charging the elderly. He opined that if RIPTA were to change an existing route such as Pascog to Providence that has existed for 30 years, a group of riders could allege that RIPTA has interfered with their ability to get to Providence to make their living and this has resulted in a financial loss to them and they could bring suit.

Mr. Primevera said the elderly could bring suit claiming age discrimination if they are charged for a pass claiming a financial hardship. He said anyone can bring suit against the Board, but the matter of guilt is another issue.

Mr. Primevera agreed with Mr. Kinch’s statement that the policy limits are low and said that Starkweather handles other quasi state agencies and said that at a minimum $5 million in coverage is in place and there are policies that go as high as $30 million. He added that his clients include a number of nonprofit agencies, with limits ranging from $5 to $12 million on average.

Mr. Primevera said another issue that must be examined is the scope of the policy, noting some policies provide coverage for both the

entity itself and the Directors and Officers. RIPTA's current policy does not provide coverage for the entity. He addressed the matter of indemnification, and stated that he is unsure of whether the current by-laws indemnify RIPTA. Mr. MacDonald commented that there is no such thing as a RIPTA Board of Directors and that the eight "Board" members are actually the Transit Authority whose job it is to run the transit system, and noted that it is his interpretation that there is no separation between the eight of them and the entity of RIPTA. Mr. Licht questioned Mr. MacDonald's interpretation saying RIPTA is a separate and distinct legal entity that has the right to sue and be sued. He said there is no question that the 8 members of the Board are the individuals who determine policy and the direction of the entity, but there is entity liability and individual liability and these are separate. Mr. Licht illustrated this by saying if a bus driver has an accident and RIPTA is sued, the individual Board members are not responsible and this is no different than any company, such as Textron that is run by a Board of Directors. Mr. Rupp stated RIPTA needs to have separate and distinct insurance. Mr. Primevera clarified that the policy covers both officers and directors of RIPTA.

Mr. Batting referenced the Joint Pension Board which is made up of three union members and three board members and said discussions during a JPB meeting regarding fiduciary responsibility prompted these questions about the D & O insurance. Then he asked Mr. Primevera if the three union members on the JPB were covered under this policy and Mr. Primevera replied that he believed they were, but

would check and confirm that. Mr. Primevera then read the following paragraph from the policy:

"Directors and Officers shall mean all persons who were, now are, or shall be directors, trustees, officers, employees, volunteers or staff members of the organization and shall include any executive board members and committee members whether salaried or not, including their estates, heirs, legal representatives or assigns in the event of their death, incapacity or bankruptcy."

Therefore Mr. Primevera opined, if the JPB members fall under that grouping, they are covered. Mr. Batting asked Mr. Licht to review this issue and give his opinion to the Board and Mr. Licht said he would do so. Mr. Primevera said he would seek clarification from the underwriters for their opinion in relation to the JPB questions raised. Mr. Kennedy asked if any RIPTA Board member had been sued and Mr. Primevera responded not during his tenure.

Mr. Field asked for an explanation of the $75,000 deductible and Mr. Primevera said this only applies to employment practices suit and gave a hypothetical example of a bus driver who is forced into a desk job who in turns sues for age discrimination. Mr. Primevera said if RIPTA were to be found guilty in court and the driver were awarded $150,000 the policy would pay $75,000 of the award and the Board would have to pay the remaining $75,000. Mr. Licht asked what would happen if RIPTA prevailed in court, in the course of defending itself

RIPTA incurred $100,000 in legal fees and Mr. Primevera said he believes that under this policy, in the event there is no fault or judgment awarded, the defense would not be subject to the deductible, but added he needed to double check this statement. A brief discussion then ensued about among the Board members regarding various litigation scenarios and outcomes.

Mr. Batting asked Mr. Moscola if there were any additional presentations and Mr. Moscola said there were not. Mr. Batting said he would like to skip ahead and moved on to public comments.

Agenda Item 7: Public Comment

Mr. Batting moved on to public comment and acknowledged Stephen Farrell, President of the Amalgamated Transit Union. Mr. Farrell said he would like to make a few comments on the proposed deficit reduction options. First, Mr. Farrell spoke about the possible increase to the senior and disabled passes going from $5 to $25 and said this is incomprehensible for people who live not day to day, not week to week, but from meal to meal. Mr. Farrell said charging these people $25 is something that RIPTA should not consider.

Next Mr. Farrell discussed the proposed option to defer six general overhauls on the 9800 buses and said the RIPTA fleet is in excellent shape and tampering with RIPTA's vehicle maintenance is asking for trouble. He continued that drivers depend on having reliable vehicles

assigned to them.

Finally, Mr. Farrell commented that over the course of the day's meeting spanning over three hours, he has heard people commenting about "thinking outside the box" and added that he's heard this phrase frequently of late. Mr. Farrell stated that it is time that this transit authority get together with the powers that be at the state house and fund RIPTA properly. He continued that the RIPTA Directors need to participate in crafting legislation that will properly fund RIPTA adequately, whether it is "forward funding" or on a year-to-year basis. He stressed that this needs to be done. Mr. Farrell said Chairman Batting needs to work with the new Board members, to take the bull by the horns and get something accomplished to have funding in place for FY 2010.

Next Mr. Batting recognized Senator Josh Miller. Senator Miller commented that Mr. Moscola had discussed sending a letter to legislators asking for an additional penny from the fuel tax and said he believes sending the letter is a good idea and if the penny does not cover the entire deficit, the letter should be crafted to acknowledge this. Senator Miller said he believes it is critical that RIPTA make the legislature fully aware of the situation, which should come as no surprise since they too buy gasoline and see the rise in the cost. Finally, Senator Miller said he is involved with the legislation to provide transportation to students at the state colleges/universities, and noted that at no point does this legislation

request that people ride for free. He said the schools would be required to contract with RIPTA and pay for the service and when debating the merits of the legislation, it is important to note that it will add revenue to existing routes.

Finally Mr. Batting recognized Paul Harrington a RIPTA bus driver for 14 years and a board member for ATU, Division 618. Mr. Harrington noted that not once during today's meeting had any Board member made any reference to improving service when now is a golden opportunity for RIPTA with gas prices being so high. Mr. Harrington acknowledged that RIPTA is facing financial difficulty but said it is up to RIPTA's Board members and its Chairman to reach out to the state for additional funding to support mass transit because potential riders are slipping away and people are being left at bus stops. He added that there must be a better alternative than to increase the fare for the elderly. Mr. Harrington referenced Mr. Alves' comment that additional bus ridership results in lower gas tax revenue and he said this is a financial problem that must be addressed.

Mr. Batting added that it is imperative that the Board ensures the legislators are properly informed as to the size and source of RIPTA's problems. He agreed that RIPTA is caught in the middle with ridership going up and the gas tax revenue going down, but RIPTA must approach the General Assembly with a clean set of figures detailing what it costs to run RIPTA. Mr. Batting said that as recently as 2 months ago it was reported to the House Finance Committee that

RIPTA would have a surplus and since now RIPTA is facing a deficit, RIPTA's credibility becomes subject to questions.

Mr. Batting thanked the speakers for their comments and asked if there were further comments and hearing none moved on to the next agenda item.

Agenda Item 7: Executive Session

Mr. Batting moved that RIPTA adjourn to an executive session, as noticed on the agenda, under sections § 42-46-5(a)(1) and 42-46-5(a)(2) to discuss General Manager contract and collective bargaining issues. Mr. Field moved to adjourn and to convene an executive session; Mr. Kennedy seconded the motion. A roll call vote was taken on the motion to convene to executive session. All members voted to convene the executive session.

Following the Board's return to open session, Mr. Field moved to extend the current contract of the General Manager for six (6) months. Mr. Alves seconded the motion, which passed unanimously.

Back in open session, Mr. Field made a motion to seal the minutes of the Executive Session, and Mr. Alves seconded the motion, which passed unanimously.

Agenda Item 9: Adjournment

A motion to adjourn the meeting was made by Mr. Rupp. Mr. Kennedy seconded the motion, which passed unanimously.

Respectfully submitted,

Ellen M. Mandly

Recording Secretary